

Press Release

## Income Protection Task Force White Paper II

*“Given the fact that most families are very financially vulnerable in the event of the loss of income of either partner, it is critical that as few barriers as possible are put in the way of clients being able to buy the income protection plan they need, when they need it.”*

*Phil Billingham, Managing Director, Perception Support*

The new White Paper from the Task Force reveals plans:

- To establish a new kitemark for genuine income protection products, so that the consumer can have confidence in the product they are buying
- To train hundreds of advisers on how to sell genuine income protection in an ethical, profitable and compliant way, at roadshows across the UK
- To campaign for all employees to receive an annual statement of sick pay entitlement, so they know exactly how much they will receive if they are sick
- To seek to work with the ABI to publish claims statistics to demonstrate that long-term income protection is an area where the industry really does treat customers fairly when they need it – at the claim stage
- To connect with Government and identify how the similar interests of the consumer, the industry and government can best be served.

These are among the major recommendations of the White Paper launched by the Income Protection Task Force at Pacific Life Re on April 7<sup>th</sup>. The 75-page paper reports progress in new ideas on product design and improved processing following the initial Task Force White Paper two and a half years ago.

Peter Le Beau, the Co-Chairman of the Task Force commented, *“We hope that the Second White Paper will be able to build on the excellent foundation created by the first. Since that was published, we have seen some very interesting new products, the use of tele-underwriting to improve the underwriting process, the creation of the website, [www.protectingmyincome.com](http://www.protectingmyincome.com), to educate both the public and advisers about the need for and the benefits of the product and, most importantly, a welcome improvement in sales last year, after several disappointing years.*

However, if the product is going to truly succeed it will only do so if we have an industry that is prepared to engage with the product and try to find new ways of reaching the market.”

Clive Waller, Co-Chairman of the Task Force believes that real momentum can be built as a result of the recommendations in the White Paper, *“Much excellent work has been done, but there is much more to do. Most important of all, we must make it easy for the prospective customer to get a quote. Believe it or not, at the moment, it is not. Then, we must ensure it is easy to buy – which means showing advisers how to employ a simple and short process, online or face-to-face, that is compliant and, dare I say it, profitable.”*

Some conclusions:

- The Task Force will increase activity to ensure consumers and advisers are aware of the incidence of long-term illness and disability
- The Task Force must look to identify how the similar interests of the consumer, the industry and government can best be served
- We must work with government to encourage a clear statement from employers of the benefits provided to employees in the event of accident and sickness to ensure that consumers are as fully aware as we can make them of their financial vulnerability should sickness strike
- We will seek to work with the ABI to publish claims statistics to demonstrate that long-term income protection is an area where the industry really does treat customers fairly when they need it – at the claim stage
- Whatever else, the Competition Commission report on payment protection insurance will create a vacuum. It is essential that this vacuum is filled by non-toxic disability products that meet customer needs; that are transparent and easily comparable; that are profitable for insurers and distributors
- We will also engage with FSA to discuss ways of improving the website, [www.moneymadeclear](http://www.moneymadeclear), where income protection is currently placed last in the protection hierarchy
- We will work with other stakeholders to establish some form of kite mark, perhaps under the auspices of the Money Guidance process, which covers policies of all types, whether sold in the short or long-term markets
- The Task Force will attempt to harness the potential synergy between government policy on workforce health and the way group income protection arrangements function
- Investing in health is a win - win, strategy. The development of true worksite platforms incorporating pension plans, life and income protection and PMI, combined with health programme initiatives appears to be a very sensible way forward, addressing a number of the major financial, medical and lifestyle problems in one initiative
- The Task Force will endeavour to encourage insurers and distributors to make it easy for consumers to obtain clear, accurate and transparent illustrations of costs and benefits that are easily comparable. We will also lobby the regulator, ABI, AIFA, PFS and IFP to do the same

A few facts

- Sales of the individual product reached a low-water mark of around 110,000 in 2007 but have increased to just above 130,000 in 2008
- Penetration of individual and group income protection stands at about 3.5 to 4 million people. This suggests that market penetration is around 20%
- There are some 20 million payment protection policies in force
- The working population in mid 2007 was quoted as 37.8 million. Out of this working population, around 2.6 million were claiming Incapacity Benefit
- In the year to April 2008, median weekly income was £521 for men (£27,092 p.a.) and £412 for women (£21,424 p.a.). The bottom 10% earned less than £262 per week (£13,624 p.a.). (Source: Annual Survey of Hours and Earnings)
- The basic weekly rate of benefit under Employment and Support Allowance is £84.50 for those in the work related group and £89.50 for those in the support group (due to rise in April 2009 to £89.80 and £95.15 respectively)

The White paper is available at: [www.protectingmyincome.co.uk/articles.html](http://www.protectingmyincome.co.uk/articles.html)

Contacts:

|  |  |
|--|--|
| Clive Waller   | Peter Le Beau  |
| Tel: +44 (0) 1730 269629   | Tel: +44 (0) 1279 319850   |
| e-mail: <a href="mailto:clive@cwcresearch.co.uk">clive@cwcresearch.co.uk</a> | e-mail: <a href="mailto:peter@lebeauvisage.co.uk">peter@lebeauvisage.co.uk</a> |